

## **Annual Minimum Revenue Provision (MRP) Policy Statement 2019-20**

The Council is required by statute to make a prudent provision for the repayment of its debt. It is also required to 'have regard' to guidance on how to calculate this provision, issued by the Ministry for Housing, Communities and Local Government (MHCLG). The Council has assessed the Minimum Revenue Provision and are satisfied that the guidelines for their annual amount of MRP, set out within this policy statement, will result in their making a prudent provision.

Where capital expenditure was incurred before 1 April 2008, the guidance suggests writing down the remaining Capital Financing Requirement by providing MRP of 4% per annum. The Council agreed in 2016/17 to write this amount off over the next 50 years, resulting in the whole balance being provided for over a finite period and far sooner than under the 4% reducing balance method.

As suggested in the guidance, for capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP by charging expenditure over the expected useful life of the relevant assets, on an annuity basis. MRP will be first charged in the year following the date that an asset becomes operational.

For the following types of capital expenditure, the Council has determined that an alternative methodology for determining the annual MRP charge should be adopted:

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, or over the life of the asset.
- Where loans are made to other bodies for their capital expenditure, and are to be repaid under separate arrangements, no MRP will be charged. The capital receipts generated by the repayment of those loans will be set aside to repay the debt.
- In order to better match MRP to the period of time that the assets are expected to generate a benefit to the Council, MRP for investment properties purchases will be based on an estimated useful life of 50 years, on an annuity basis. This is in recognition that these assets are held for income generation purposes and that the Council holds a saleable asset, the capital receipt from which will be used to repay any outstanding debt when sold.
- The council will determine MRP on equity investments based a 20 year life. However, for equity investments in asset backed companies, a 50 year life will be assumed to match the Council's policy for investment assets.

The Council reserves the right to determine alternative MRP approaches in particular cases, in the interests of making prudent provision, where this is material, taking account of local circumstances, including specific project timetables and revenue-earning profiles.

Each year a new MRP statement will be presented.

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